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23 April 1946

MEMORANDUM

FOR: Colonel William W. Quinn
FROM: James R. Murphy
SUBJECT: Recommendations for Situation of X-2 Branch, SSU.

I. The X-2 Branch, Strategic Services Unit, is presently conducting counter-intelligence activities in areas outside the Western Hemisphere. These activities are directed to the acquisition of counter-intelligence information essential to the national security which can be used as a basis for action by appropriate agencies here and abroad in the formulation and execution of national policy and for the protection of any clandestine operations conducted on behalf of the American government. Counter-intelligence information that is produced or coordinated through X-2 activities falls into two general classifications: Information concerning individuals who are involved in intelligence activities on behalf of foreign powers; and information of a strategic nature concerning the organization, methods and objectives of foreign intelligence services.

II. The President's Order of 22 January 1946 establishing the National Intelligence Authority and the CIC gives (para 10) to the NSA and the Director of Central Intelligence the responsibility for fully protecting intelligence sources and methods in the conduct of their activities. An essential factor in the exercise of this responsibility is the continued functioning of an active and aggressive central counter-intelligence service as an integral part of the national intelligence program. The question has been raised as to whether the American Counter-Intelligence Service responsible for external areas is best given a central status independent of other operating intelligence agencies, or by the transfer of its immediate control to one of those agencies, in particular the Department of State or the Federal Bureau of Investigation.

III. The placement of the X-2 Branch, SSU, as a function or entity in a position best to serve the interests of the Government should be considered in relation to three factors:

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- a. That the Branch be administratively associated with the existing agency whose operations it may best support as a primary function.
- b. That the Branch be so situated that it may with maximum effectiveness help to serve and advise other American agencies and maintain the security of their foreign activities and installations.
- c. That the Branch be associated with an agency whose administrative theory and operations, as well as background, will permit it to continue the operations peculiar to counter-intelligence and the purpose for which such a Service exists.

IV. Although it is anticipated that each present intelligence agency will continue its operations, these operations will be directed towards the particular needs of the department concerned. Objectives of over-all, or general tactical need, will be approached by the CIC either through an established positive intelligence service or by particular task forces. In either case such activities as are pursued will be of the highest security significance and will require a maximum security protection. In any such activities the CIC will require the constant assistance of a counter-intelligence Service immediately at hand, fully cognizant of the needs and policies of the CIC, and acting under its immediate authority and control. Only in this way can the CIC protect and ensure the attainment of highest echelon objectives.

The collection of intelligence must be protected from the efforts of foreign intelligence services to feed false information, to penetrate, or to neutralize.

The clandestine procurements of positive and counter-intelligence mutually complement each other and are mutually beneficial. Information derived from counter-intelligence sources in the field is frequently of high positive intelligence value, and these sources can be successfully developed to produce such information in addition to their primary counter-intelligence functions. Conversely, sources developed principally for positive intelligence sources are often in a position to provide specific information vital to counter-intelligence operations. It is frequently difficult initially to determine the potentialities of any given source. In addition there are targets of mutual interest to both positive and counter-intelligence services. An outstanding example of such targets is the world-wide Communist movement and its involvement

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with the USSR. The Communist movement as a political party is primarily the concern of a positive-intelligence service; the use of its members and sympathizers for intelligence purposes and subversion is the concern of a counter-intelligence agency. The same lines of penetration will frequently serve to produce information invaluable to both. A like situation exists in the investigation of resurgent Nazi groups. Intelligence on atomic bomb activities presents a similar duality. Thus, the effectiveness of both positive and counter-intelligence activities is dependent upon the closest possible integration of direction both at headquarters and in the field.

V. The responsibility of a central counter-intelligence service is however greater in scope than the protection of positive intelligence activities carried out on behalf of the CIG. These other agencies which conduct intelligence activities will also be targets of foreign intelligence services. The most effective protection these agencies can have will come as a result of advice based upon a central coordination of material bearing on the personnel, activities and organizations of inimical foreign intelligence services. The most effective presentation of such advice will come from a central and impartial authority, rather than as from the bias of a particular service.

VI. The acquiring of counter-intelligence information through clandestine channels by X-2 supplements the counter-intelligence coverage afforded by personnel reporting to the State Department, the Military Intelligence Service and the Office of Naval Intelligence. Under the directive of the President, the National Intelligence Authority is charged with the coordination of the intelligence activities of these agencies including the assignment of intelligence priorities on a strategic basis in accordance with the demands of national security. The placing of the X-2 Branch, Strategic Services Unit, under the direct control of the Central Intelligence Group provides the National Intelligence Authority with a counter-intelligence task force of which the activities can be constantly directed to: (a) the acquiring of information considered essential to supplement that received from the overt sources of the State Department, MIS and ONI, and (b) concentration on broad strategic counter-intelligence problems as required by the changing international situation.

It is evident that no consideration is being given to the possibility of placing the immediate control of clandestine counter-intelligence activities outside the Western hemisphere under the authority of the Military Intelligence Service or the Office of Naval Intelligence. The alternatives to its conduct under the authority of the CIG are its transference either to the Department of State or to the Federal Bureau of Investigation.

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Federal Bureau of Investigation. The proposed transfer of the central counter-intelligence service to the Federal Bureau of Investigation is somewhat different in character. Primarily, the FBI is a policing organization charged with the investigation of violations of the laws of the United States. It has however lately been given a responsibility for counter-intelligence operations within the United States, although the Army and Navy are also conducting independent counter-intelligence services within this area. As a war-time emergency, it was also charged with counter-intelligence functions within the Western Hemisphere. It has been urged by the Bureau that its domestic responsibilities would be best achieved by an extension of its franchise to cover all territories outside the Western Hemisphere.


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political wisdom of any step which goes against democratic principles by placing the executive authority of arrest in the hands of an intelligence agency. It is a general democratic principle that an intelligence agency should be advisory rather than executive, lest the future danger be raised of such a police state as that either of Russia or Germany where political intimidation has been possible through the injudicious use of such prerogatives. In the public discussions relevant to the establishment of a central intelligence agency such a fear was paramount and is reflected in the precise restrictions of the Presidential Order, providing that "No police [or] law enforcement functions should be exercised under this direction."



Quite apart from any question of the effectiveness of past collaboration between the FBI and the security services of the Army and Navy -- for which reference should be made to those authorities -- it is evident that a divorce of the counter-intelligence functions of a central agency from those of its and other American positive-intelligence services can only serve to decrease the efficiency of their positive intelligence activities.

VII. It is therefore recommended that the American counter-intelligence Service responsible for operations outside the Western hemisphere should be accorded a status directly under the Central Intelligence Group, and that the closest integration and direction of both clandestine positive intelligence and counter-intelligence activities should be exercised by the CIG in order that these organizations may form a special intelligence task force for the National Intelligence Authority. It is presumed that if this country is engaged in hostilities, special operations and an enlarged general intelligence force will be

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required to maintain the flow of intelligence in war time.. The coordination of clandestine positive intelligence, counter-intelligence and special operations in war time demands the closest possible integration and central direction in order that they may effectively service the demands and requirements of the armed forces. A central system must be provided which is adaptable to all circumstances.

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